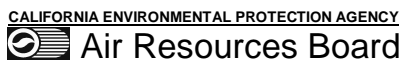
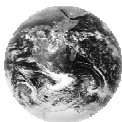


ARB's Heavy-Duty Vehicle Air Quality Loan Program

Public Workshop
Sacramento, CA
August 19, 2008



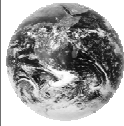
1



Overview

- Funding Source
- Proposed Regulatory Summary
- Need for Program and Purpose
- Potential Structure and Financing Mechanisms
- Loan Product Packages
- Program Timeline
- Contact Information

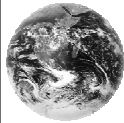
2



Funding Source

- AB 118 (Nunez, 2007) provides \$50 million per year to ARB for air quality improvement program
- First year AQIP funds (08-09 FY): \$48M one-time allocation to support specific regulatory proposals:
 - Scheduled for October 2008 Board Hearing
 - In-Use Truck and Bus Rule
 - Heavy-Duty Vehicle Greenhouse Gas Reduction Regulation

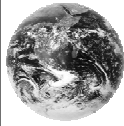
3



Summary of Proposed In-use Truck and Bus Rule

- Phase-in requirements start in 2010
 - All requirements for small fleets delayed until 2012
- Phase-in 2010 model year engine equivalent
- Any of 3 compliance options for PM or NOx
 - Best available control technology (BACT), or
 - BACT Percentage Limits, or
 - Fleet average
- Special provisions (e.g., school buses)

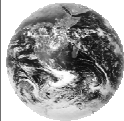
4



Summary of Proposed Heavy-Duty Vehicle Greenhouse Gas Reduction Measure

- Tractors pulling 53-foot+ box-type trailers
 - 2011 MY+ new sleeper cabs SmartWay certified
- Trailers: 53-foot+ box-type
 - 2011 MY+ new trailers: SmartWay certified *OR* retrofitted with SmartWay approved technologies
 - By 1/1/2014, all other box-type trailers must comply
 - Phased-in compliance schedule for large fleets (20+) starting in 2010

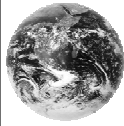
5



Need for Loan Program

- Significant costs associated with staff's regulatory proposals
- Insufficient grant funding
- Access to traditional incentive grant funds limited by:
 - Criteria for surplus emission reductions
 - Requirements for applicant cost-sharing

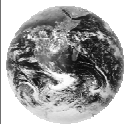
6



Program's Objectives

- Assist fleets affected by regulatory proposals
 - Provide competitive rate loans to fleets that fall outside conventional loan underwriting standards
 - Prioritize funds to small fleets or fleets with financial hardship
- Foster early action on regulatory compliance
- Longer-term goal
 - Sustainable program

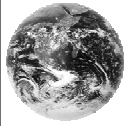
7



Potential Program Structure

- ARB working with financing authorities within the State Treasurer's Office (STO)
 - Successful loan guarantee program models
- ARB to develop program requirements, e.g.,
 - Products eligible for financing
 - Fleet size and region of operation
 - Financial need
- Pilot Off-Road Loan Incentives Program to demonstrate loan guarantee model

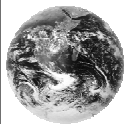
8



Potential Loan Program Mechanisms

- Loan guarantees only
- Loan guarantees with add-on options
 - Longer repayment periods
 - Interest rate buy-downs
 - Combination grants/loans
- Lease buy-backs

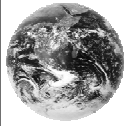
9



Why Loan Guarantees?

- Maximize State funds:
 - Leveraging power of ~7:1
 - \$48M in loan guarantees = \$340M in loans
 - More fleets assisted through loan guarantees
- Financing infrastructure in place now with STO
 - Rapid implementation to support October 2008 regulatory schedule
- Other financing mechanisms

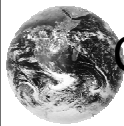
10



Loan Product Packages

- Financing for vehicle upgrades to comply with regulatory requirements:
 - ARB-verified PM exhaust retrofits
 - Used, lower-emitting trucks
 - SmartWay approved energy efficiency retrofits (low-rolling resistance tires, aerodynamic skirting and fairings)
 - New trucks (with SmartWay technologies)?

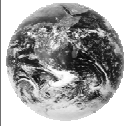
11



Concepts for Loan Product Packages

Examples of Products Eligible for Financing	Estimated Amount Financed
PM exhaust retrofit on in-use truck; low-rolling resistance tires	\$13,100
Used truck (2007); low-rolling resistance tires; SmartWay energy-efficiency retrofit for trailer	\$88,100
New truck and trailer (2010) with SmartWay energy-efficiency technologies	\$153,000

12

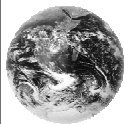


Timeline for Loan Program Development

For 2008-2009 FY AQIP Funds:

Now-Oct. '08	Develop program structure, administrative requirements, technical criteria
Oct. '08	Report to Board on program
Oct. '08-Spring '09	Finalize program with STO; conduct program outreach
Starting Spring '09	Loans available for fleets
Starting July '09	Periodic program assessments

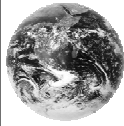
13



For More Information

- ARB's Heavy-Duty Vehicle Air Quality Loan Program
 - <http://www.arb.ca.gov/ba/loan/loan.htm>
- ARB's AB 118 website
 - <http://www.arb.ca.gov/msprog/aqip/aqip.htm>
- Sign-up for automatic e-mail notifications
 - <http://www.arb.ca.gov/listserv/loan.htm>

14



ARB Contacts for Heavy-Duty Vehicle Loan Program

John Kato – Manager, Innovative Strategies Section
(916) 322-2891, jkato@arb.ca.gov

Bob Nguyen – Loan Program Co-lead
(916) 327-2939, rnguyen@arb.ca.gov

Krista Fregoso – Loan Program Co-lead
(916) 445-5035, kfregoso@arb.ca.gov

15

Comments and Discussion

16